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OF THE PARTY'S CONCERN FOR THE PEOPLE

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- USSR -

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ABOLITION OF TAXES: NEW MANIFESTATION
OF THE PARTY'S CONCERN FOR THE PEOPLE

-USSR-

[Following is the translation of an article entitled "Otmena nalogov -- novoye proyavleniye zaboty partii o narode" (English version above) by F. Uryupin, Deputy Minister of Finance USSR, in Sotsialisticheskiy Trud (Socialist Labor), No 7, Moscow, July 1960, pages 9-17.]

A mighty program for promoting the building of Communism in our country and further raising the peoples' standard of living has been outlined in the historical decisions of the 21st Congress of the Communist Party. The congress decided to abolish tax levies on the population within the next few years. The Supreme Soviet USSR in its fifth session ratified the law "On Abolishing Taxes from the Wages of Workers and Employees." This act has important political and economic significance, marking one more victory of socialism in its peaceful competition with capitalism. The question of abolishing taxes while simultaneously, continuously raising the standard of living of the people has been solved for the first time in history!

Such a decision could not have been taken in even one bourgeois state. Where there is private ownership of the tools and the means of production, taxes on the population constitute the economic basis for existence of the state. As long as plants, factories, transportation, land remain wholly or predominantly in the hands of capitalists, the bourgeois state cannot obtain the necessary means for implementing all its functions in an economic way, i.e., in the process of production. It obtains them through forced withdrawal of part of workers' income in the form of various taxes, dues, and duties. For the 1958-1959 fiscal year, tax revenues in bourgeois state budgets constitute 70-90% of total state incomes.

Nominally, all classes of society pay taxes in capitalist states. However, the power-wielding bourgeoisie has the opportunity

to shift a significant part of the tax burden on the workers' shoulders, utilizing for this the price mechanism, lowering or freezing wages, and other means. The workers have nobody on whom to shift taxes. They pay them from their earned income. Therefore, in capitalist countries taxation is one additional means of exploitation of workers. Individual capitalists exploit individual workers in the process of production by appropriating surplus value created by the workers, and the capitalist state exploits the working class and other strata of the population through state taxation.

How are the enormous sums utilized which enter capitalist state budgets in the form of taxes? In the first place, for military purposes. For example, in the current fiscal year, 58.3% of the federal budget expenditures of the US are for military purposes; together with expenditures for government loans, which in the main are connected with the arms race, the figure reaches over 70% of the total budget. Consequently, the unproductive state expenditures are covered by taxes. Taxes on workers are irretrievable deductions from their wages.

Capitalism not only cannot reduce taxes but, on the contrary, continuously increases the tax pressure, thus reducing the population's real income. Thus, in the US budget, tax receipts have increased eightfold over the past 20 years; in Great Britain's budget, 5.5 times. According to the calculations of bourgeois economists, workers in capitalist countries spend approximately one third of their incomes for taxes. Therefore, the workers' ancient dream -- freedom from taxes -- cannot be realized under conditions of capitalism. The bourgeois state has no other financial basis for implementing all of its functions.

A different situation exists in our country. The bulk of Soviet state budget receipts stem from the accumulation of the socialist economy. Having liquidated the exploiting classes in our country and established the public ownership of the tools and means of production, the Great Socialist October Revolution created the social basis for excluding taxes on the population from the income side of the Soviet state budget.

Already during the first years of Soviet power V. I. Lenin pointed out that as the socialist economy grows, the importance of taxes would decrease and state finances would be based on direct distribution of a certain part of the income of state enterprises for the needs of the state (V. I. Lenin, Collected Works, Vol 29, page 96). V. I. Lenin's expectations have been fully confirmed in the practice of socialist construction.

The levying of taxes on the population of our country was determined by the peculiarity of the historical situation in which we had to construct socialism. As is generally known, we received as a legacy from Tsarism a country with a backward economy, completely ruined during the years of civil war and foreign intervention. The Soviet people had to reconstruct and develop the economy

under difficult conditions. Not a single capitalist state would give us credit or loans. There remained but a single source -- internal accumulation and reserves. To fulfill the great task of socialist transformation of the country, not only was a tremendous work effort required, but also the investment of a portion of the Soviet people's personal income -- in the form of taxes -- in the country's economic development.

During the transformation period from capitalism to socialism, taxes also played an important role in restricting and ousting the exploiting elements in town and countryside, in strengthening the union between the working class and the peasantry, in forming and strengthening socialist forms and relationships in our country. It should be emphasized that in the field of taxation the Soviet state strictly carried out a class policy, lightening the load on the workers as much as possible and increasing it on the people who had unearned income.

With the growth of the socialist economy and increasing income from socialist enterprises, the share of the budget income from taxes on the population shrank systematically. During the Great Patriotic War, when the economy was changing over to a war footing and there was temporary occupation of the most important economic reagions, it became necessary to increase the population's contribution to the state budget. The Soviet people defeated the enemy not only through feats of arms on the battlefield and selfless work on the home front, but also helped to forge victory with their personal income. In connection with this, a wartime tax on the population was instituted and several other taxes were increased. Significant means of the population were placed at the disposal of the state in those years through citizens' voluntary contributions to the defense fund.

Despite the great need for income to reconstruct the economy in the postwar years, the Communist Party and Soviet government, showing their concern for the workers, consistently pursued a course of lowering taxes on the population. Abolition of only one wartime tax decreased the population's tax payments by more than 20 billion rubles per year. Measures carried out during the following years -- reducing the agricultural tax by over 2.5 times, increasing the non-taxable income as regards the income tax, lowering the rate of that tax, decreasing the bachelors', single-persons' and small-families' taxpayer group -- further decreased the population payments by 13 billion rubles per year. At the same time the issuing of state loans through popular subscription was discontinued, compulsory deliveries of agricultural produce to the state from the plots of kolkhoz members, workers, and employees were abolished. All this contributed to a significant increase in the people's standard of living and a decrease in their share in the budget. Thus, in 1960, state taxes on the population constitute altogether 7.4% of the budgetary income.

In his report to the 21st Congress of the CPSU, N. S. Khrushchev pointed out that "at present, the development of the Soviet Union's economy and culture is brought about largely through accumulation from socialist enterprises. In fulfilling the Seven-Year Plan, the size of these accumulations will steadily increase and in the final analysis will become the sole source for large-scale socialist reproduction and the further growth in the people's standard of living" [See note]. ([Note:] N. S. Khrushchev, O kontrolyakh tsifrah razvitiya narodnogo khozyaystva SSSE na 1959-1965 gg (Control Figures on the Development of the National Economy of the USSR in 1959-1965), State Publishing House of Political Literature, Moscow, 1959, page 51.)

We have started the Seven-Year Plan well. Last year we achieved almost 50-billion rubles worth of above-plan production, which exceeds all the annual industrial production in pre-Revolutionary Russia at current prices. As a result of the increase in production and the decrease in production costs, the industry of the country obtained 20% more profits than in 1958 and significantly more than laid down in the plan. National income, being the general index of the results of reproduction, increased by 8% or roughly 100 billion rubles over 1958.

The expansion of public production and the growth of national income guarantee a systematic increase in the income entering the budget from state enterprises and cooperative organizations. In 1960, income from the socialist economy in the state budget was 702.6 billion rubles, or 90.9% of all budgetary income. The successful fulfillment of the plan for the first year and three months of the second year of the Seven-Year Plan created the economic basis on which the Party and government could begin to abolish taxes on the population.

Comrade N. S. Khrushchev has pointed out that such a large undertaking as abolition of taxes during the next few years should be carried out most judiciously, with regard for safeguarding the interests of the people and the state.

After thoroughly examining this question it was deemed expedient to implement the abolition of taxes not at once, but by stages during the 1960-1965 period. The total sum of taxes on the population is estimated at 59 billion rubles in the 1960 budget; if the existing system of tax levies were retained, in 1965 it would be 84 billion rubles. Abolition of taxes in the course of a single year would require either significant additional financial resources from the state or the restriction of those Seven-Year Plan measures aimed at developing the economy and increasing the people's standard of living. Such a decision evidently would not favor development of the country's economy and the fundamental interests of the people and the state.

At the present time city dwellers are the principal income-tax payers and country dwellers the principal agricultural-tax payers.

A certain portion of income-tax payers pay the bachelor's, single-person's, and small-families' tax. A small number of local taxes are also levied.

Workers and employees pay income tax on earnings received; writers and art workers -- on compensation received; doctors -- on income from private practice; uncooperated handicraftsmen, persons renting out lodgings in cities and settlements, and other citizens -- on their income.

The bachelor's, single-person's, and small-families' tax is paid by men 2-50 years of age, women 20-45 years of age, married childless couples, and bachelors.

The agricultural tax is paid by kolkhoz members and other citizens who have plots of land in rural areas.

On examining the question of abolishing taxes on the population, it was deemed expedient to abolish first of all the taxes on workers' and employees' wages -- the income tax and bachelor's, single-person's, and small-families tax. The measure mentioned is to be carried out so that workers and employees having relatively small earnings will receive the greatest benefit. Such a solution would have a definite bearing on fulfilling the task set by the 21st Congress of the CPSU as regards narrowing the remuneration gap between the highest- and lowest-paid workers and employees.

These principles were reflected in the law on abolishing taxes on workers' and employees' wages which was ratified by the session of the Supreme Soviet.

In accordance with the law passed by the Supreme Soviet USSR, for workers and employees who earn up to 500 rubles per month, the levying of income tax and bachelor's, single-person's, and small-families' tax is discontinued as of 1 October of this year. At the same time, income tax and bachelor's, single-person's, and small-families' tax rates are decreased on the average of 40% for citizens earning from 501-600 rubles. If, at the present time, on a 503-ruble income the tax is 26.30 rubles, then on 1 October the tax on this amount of earnings will be only 1 ruble. Income tax on 550 rubles will be lowered from 31 to 18 rubles, for 590 rubles -- from 35 to 32.40 rubles.

On 1 October 1961, the income tax and bachelor's, single-person's, and small-families' tax will be discontinued for all workers and employees earning up to 600 rubles; tax rates on 601-700 ruble earnings will be reduced by an average of 40%. This means, for example, that the income tax will be reduced as follows: on 602 rubles earnings, from 36.20 rubles to 1 ruble; for 650 rubles -- from 41 to 23 rubles; for 690 rubles -- from 45 to 41.40 rubles.

As of 1 October 1962, the income tax and bachelor's, single-person's, and small-families' tax will be completely abolished for citizens whose monthly earnings are up to 700 rubles. In addition, for those having incomes of 701-800 rubles, the rates for these taxes will be reduced by an average of 40%. For example, for 702 rubles

Earnings the income tax will be reduced from the present 46.20 rubles to 1 ruble; on 750 rubles -- from 52 to 29 rubles; and for 790 rubles -- from 56.80 to 52.20 rubles.

It should be noted that the non-taxable minimum rates of 500, 600 and 700 rubles will apply only at the main job location. As regards earnings from more than one job and earnings from other than the main job location, taxes on those earnings will be retained at the present level, i.e., independently of the amount of earnings and without application of decreased tax rates. In addition, the question concerns the actual 500, 600 and 700 ruble earnings and not tariff rates and pay for duty status. For example, for a 470-ruble tariff-rate, earnings for November 1960 are 560 rubles. These earnings are subject to income tax because they are higher than the 500-ruble non-taxable minimum, despite the fact that the tariff rate is 470 rubles.

In 1963 and 1964, the group of people with lower tax rates on their wages will increase still more. As of 1 October 1963, income tax and bachelor's, single-person's and small-families' tax rates will be reduced by an average of 40% on 701-900 ruble earnings, and as of 1 October 1964 they will be reduced on monthly earnings of 701-1000 rubles. Thus, on earnings of 701-800 rubles the tax rates will be reduced three times -- in 1962, 1963, and 1964; on earnings of 801-900 rubles, twice -- in 1963 and 1964; and on earnings of 901-1000 rubles, once -- in 1964.

For example, as shown above at the present time a 52-ruble income tax is levied on 750-rubles earnings. As of 1 October 1962, that tax will be 29 rubles; as of 1 October 1963 -- 17.50 rubles; and as of 1 October 1964 -- 13.70 rubles. On an earnings of 825 rubles, instead of the current 61 rubles in taxes, as of 1 October 1963 the income tax will be 43.75 rubles and as of 1 October 1964 -- 34.20 rubles. On earnings of 925 rubles, the income tax as of 1 October 1964 will be 61.50 rubles instead of the current 73 rubles.

Reduced tax rates on the 701-900 and 701-1000 ruble earnings will apply only at the main job location.

Final abolition of the income tax and the bachelor's, single-person's, and small-families' tax on the wages of workers and employees will take place on 1 October 1965. For workers and employees having tariff rates and official-duty pay up to 1,000 rubles per month, taxes will be fully abolished at the expense of the state. These workers and employees will then net the sum they previously paid in taxes. For example, an employee having a 905-ruble salary will pay 56 rubles in income taxes as of 1 October 1964. With abolition of taxes on 1 October 1965, the total of net wages he receives will be increased by the amount of the tax, i.e., by 56 rubles. If the worker or employee paid the bachelor's, single-person's, and small-families' tax, then his net wages will additionally increase by the amount of that tax.

As regards abolition of the income tax on the wages of workers

and employees having tariff rates and official-duty pay above 1,000-2,000 rubles per month, their net wages will be increased not by the total sum of the previously paid income tax, but by part of it. Specifically, for tariff rates and official-duty pay of 1,001-1,200 rubles, the net wages will be increased by an average of 7% of the income tax rates applicable; for wages of 1,201-1,400 ruble -- by an average of 46%; 1,401-1,600 rubles -- by an average of 29%; 1,601-1,800 ruble -- by an average of 15%; and 1,801-2,000 rubles -- within 10%. The tariff rates and official-duty pay rates will be lowered by the amount of the remaining part of the tax. For example, a worker with a 1,010-ruble tariff rate now clears 926.70 rubles after paying the income tax; after abolition of the income tax he would receive approximately 1,008 rubles, i.e., the net wages he receives will have increased by 97.8% of the total income tax applicable to a 1,010-ruble tariff rate. A worker having a 1,500-ruble tariff rate will after abolition of the income tax receive approximately 1,395 rubles in net wages instead of the 1,353 rubles he now receives, i.e., his net wages will increase by 28.6% of the total income tax applicable to a 1,500-ruble tariff rate. Even the worker having a 1,900-ruble tariff rate will, after the abolition of the tax, receive 1,710 rubles in net wages instead of the 1,701 rubles he now receives, i.e., his net wages will increase by 4.5% of the total tax applicable to a 1,900-ruble tariff rate.

Consequently, although the rates decrease slightly for those workers and employees having tariff rates and official-duty pay of 1001-2,000 rubles per month, the earnings of these persons actually are increased by part of the income tax applicable to those particular tariff rates and official-duty pay rates.

It should be borne in mind that the tariff-rate decreases will derive from a part of the income tax applicable to those rates and not from the actual earnings on which the income tax is currently levied. This means that all workers who overfulfill their output norms receive a greater increase in net earnings than workers fulfilling the norm by only 100%. For example, if for a 1,100 tariff rate the norm is fulfilled by 100%, the net wages received increase by approximately 74 rubles; for fulfilling the norm by 120% the wages increase by approximately 98.40 rubles.

For workers and employees whose tariff rates and official-duty pay rates are above 2,000 rubles per month, the income tax will be abolished along with decreasing those pay rates by the total of income tax applicable. Accordingly, their net wages will remain unchanged.

The law on abolition of the income tax adopted by the Supreme Soviet USSR applies also to servicemen, students, lawyers, and cooperated artisans and handicrafters on whom income tax is levied on an equal basis with workers and employees.

As of 1 October 1965, the levying of income tax on writers and art workers will be discontinued, along with a corresponding reduction in writers' royalties and other types of compensation. Abolition of the bachelor's, single-person's, and small-families' tax will be carried out fully as of 1 October 1965 at the expense of the state. The wages received by payers of the bachelor's, single-person's, and small-families' tax will increase by the amount of that tax regardless of the size of their earnings.

As a result of this tax-abolition policy, the net wages of 59.4 million workers and employees who previously paid the income tax and bachelor's, single-person's, and small-families' tax will increase by the total of that tax. For several million people the net wages will increase by roughly an amount equal to one half of that previously paid as income tax and by the entire amount of the bachelor's, single-person's, and small-families' tax. In such a manner 99.4% of workers and employees will receive a quite tangible addition to their wages. Only for a small number of workers will the net wages not increase.

The abolition of taxes on workers' and employees' wages will, in the main, be made at the expense of the state. As a result of completely abolishing taxes on wages, worker and employee earnings will increase in 1966 by approximately 74 billion rubles per year.

If one considers that the decision of the 21st Congress of the CPSU on increasing the minimum wage rates will be implemented simultaneously with the abolition of the tax, then the growth of worker and employee earnings will be expressed in even larger figures. Also, the Party and government are carrying out wide measures to raise real wages through lower prices on consumer goods and by increasing and improving the social services rendered to the population. All this substantially improves the welfare of the Soviet people.

The system for abolishing taxes on wages established by the Supreme Soviet USSR is not equal for individual groups of workers and employees. It ensures wage increases first of all for the low- and medium-paid workers and employees and is conducive to narrowing the gap between low- and high-paid workers and employees' wages. However, the concept of aligning workers' wages should not be confused with wage leveling. Strict fulfillment of the Leninist instructions regarding the socialist workers' material interest in the results of their labor has been and remains a leading principle in our Party's work. Communists always have been and remain firm opponents to the leveling of the wages of the workers. However, after the war there developed too wide a gap between the wages of various categories of workers and that gap must be reduced. Increases in the low-paid workers' wage rates carried out during recent years were already aimed at reducing this gap. The 21st Congress of the CPSU's decisions on increasing the minimum wages to 500-600 rubles

per month were also made with this view in mind. This aim is also furthered, to a certain extent, by the abolition of taxes on the wages of workers and employees.

Comrade N. S. Khrushchev, speaking at the Fifth Session of the Supreme Soviet USSR, pointed out that decreasing the gap between the wages of workers "is the correct, proper way and it will create conditions for stimulating the work of all members of our socialist society, inasmuch as it does not permit leveling, does not deprive the worker of stimuli which encourage constructive, scientific thought and the development of socialist competition for attaining better work results." (Pravda, 6 May 1960)

As already mentioned above, the second principal state tax levied on the population of our country is the agricultural tax. At the Fifth Session of the Supreme Soviet USSR the question of this tax was also examined.

At the present time the agricultural tax is paid according to fixed rates which are determined by the size of the private land plot; the latter serves as a certain index of additional earnings received by the kolkhoz members above their kolkhoz-work earnings. Income from the private plots of kolkhoz members is partly connected with their selling products at open-market prices. The agricultural tax still plays a certain role in strengthening labor discipline on kolkhozes and regulating the income of kolkhoz members from private subsidiary farming. Therefore, it was deemed advisable to retain this tax temporarily.

It is known that questions regarding agricultural development in recent years have occupied the center of attention of the Communist Party and Soviet government. The measures carried out to ensure the further strengthening and growth of the kolkhoz system have resulted in a further upsurge in the country's agricultural production and a significant growth in the income of kolkhozes and their members. In the future these earnings will increase still further. For example, kolkhoz money earnings in 1960 were 3.5 times greater than in 1953 and constituted 154-158 billion roubles. The money share per labor day paid to kolkhoz members grows more than three-fold.

In order to increase the public (obshchestvennyy) production and earnings of kolkhozes, all necessary conditions for a fuller satisfaction of the needs of kolkhoz members for real goods and money will be created at the expense of the kolkhozes public economy. Conditions will be created in which the private plots will in effect lose their significance and consequently conditions will ripen for abolition of the agricultural tax also.

Other taxes apply to an insignificant portion of the population -- to uncooperated artisans and handicrafters, building owners, persons who rent out dwellings, car owners and some other citizens. These taxes and duties still have a regulatory importance as regards the income sources mentioned, and thus it was deemed advisable

to retain them for a certain time.

Abolition of taxes on the population is important not only for raising the standard of living of the people; it is also of fundamental significance to the further development of the Soviet economy.

With abolition of taxes on the population, the accumulation of the socialist economy becomes the sole source of our state's income. Accordingly, the successful financing of economic and cultural construction will depend wholly on the fulfillment of production and accumulation plans by enterprises and economic organizations.

Therefore, in N. S. Khrushchev's report to the Supreme Soviet USSR, the following tasks were posed as the foremost ones: development of a truly nation-wide struggle for a further increase in output, an increase in labor productivity, the lowering of production costs, an increase in the profits of production, and a fuller utilization of the economy's reserves.

Since the accumulation of the socialist economy will be the sole source of budget income, it is demanded that measures be taken for further increases in the financial discipline of enterprises and economic organizations in order to guarantee the timely fulfillment of their obligations to the budget. Therefore, it is necessary -- as N. S. Khrushchev indicated -- that these questions should occupy the center of attention of union-republic Councils of Ministers, sovnarkhozes, heads of enterprises, and Party, soviet, trade union and Komsomol organizations.

Consequently, with the abolition of taxes on the population, the state's economic-organizational activity in the field of mobilizing and distributing the internal accumulations of social enterprises and organizations is developed further.

Abolition of taxes on the wages of workers and employees, implementation of measures to improve minimum-wage rates, and reduction of consumer-goods prices leads to a substantial increase in the population's income.

Simultaneously, an important measure for improving the living conditions of the Soviet people -- reduction of the length of the working day -- is being carried out in the country. Already approximately 20 million people have changed over to a reduced working day. In 1960, all workers and employees will have completed the changeover to the seven- and six-hour working day. All this will further the growth of the material and spiritual interests of wide population strata and cause a further increase in the demand for consumer goods and require an increase and improvement in social services.

Providing the population with the goods which its purchasing power will demand has been and will remain a matter of great state importance. In connection with this it is appropriate to recall N. S. Khrushchev's statement that "...in our country we should observe

the proper correlation between the availability of goods and the availability of money in circulation and in the hands of the population. Only then will there be a stable currency, a strong and valuable ruble. Only then, consequently, will wages grow." (N. S. Khrushchev, O shirokimi vnedrenii industrial'nykh metodov uluchshenii kachestva i snizhenii stoinosti stroitel'stva (On the Wide Introduction of Industrial Methods of Improving the Quality and Lowering the Costs of Construction), State Publishing House of Political Literature, 1955, pages 38-39.)

In recent years broad measures have been taken to increase the output of consumer goods in our country. It is sufficient to note that the volume of retail goods turnover in 1959 was 709.6 billion rubles. In the current year it will increase by 56 billion rubles.

The material and spiritual interests of the Soviet people, growing from year to year, demand not fulfillment but overfulfillment of the Seven-Year Plan tasks. In connection with this, it is necessary to look for additional sources of goods resources so as to maintain the continuous accumulation of consumer goods to satisfy fully the population's demands for them. The measures outlined by the Party and government for a sharp upsurge in agriculture, increased consumer-goods production and, based on it, increased retail goods turnover, will create favorable conditions for systematically satisfying the population's demands for goods and for further strengthening our finances and monetary circulation.

The Soviet people warmly approve the law passed by the Supreme Soviet abolishing taxes on the wages of workers and employees. They received the session's decision as a document of great historical importance and express thanks to the Communist Party and the Soviet government for their tireless efforts in behalf of the welfare of the people.

Abolition of taxes on the wages of workers and employees is a signal social achievement of our Motherland's workers. All the world sees that socialism solves the most vital problems of the working people, that it is the only proper way to get rid of exploitation, unemployment, and poverty.

The Soviet Union's success in building a new life, in the incessant rise of the peoples' cultural and material levels have and are influencing favorably the historical process of development of the entire human society. No matter if the capitalists wish it or not, the people will make comparisons. To pay no taxes or to spend almost a third of earnings to pay them --- there is a substantial difference. Such events do not remain unnoticed.

The abolition of taxes on wages is evidence of the further strengthening of the Soviet economy and confirms the peaceful policy of the Soviet Union. It should be self-evident to every sensible person that a state which abolishes taxes cannot seek war. No matter

how the instigators of war slander the Soviet Union, facts speak for themselves.

The decisions of the Fifth Session of the Supreme Soviet USSR marked a new upsurge in the creative activity of the Soviet people. They promote the further growth of the productivity of labor and the fuller manifestation and utilization of internal reserves in our economy. This is the source of those additional means which compensate for the reduction of state-budget income due to the abolition of taxes on wages.

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